

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 IO-15 ISO-00 OMB-01

TAR-02 SPC-03 AGR-20 AID-20 CIAE-00 COME-00 INR-10

LAB-06 NSAE-00 OIC-04 RSC-01 SIL-01 STR-08 TRSE-00

CIEP-02 CEA-02 L-03 NSC-10 DRC-01 /183 W

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P R 091030Z OCT 73

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 1982

AMEMBASSY BANGKOK

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY PORT LOUIS

AMEMBASSY PRETORIA

AMEMBASSY SANTO DOMINGO

AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: ETRD, UNCTAD

SUBJECT: SUGAR CONFERENCE: TOWARD A CLIMAX

REF: GENEVA 5188

SUMMARY: FOURTH WEEK OF SO FAR GLACIAL CONFERENCE SAW
PRESENTATION OF "PACKAGE DEAL" BY SOME IMPORTERS WHICH WAS
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MERELY RESTATEMENT OF POSITIONS TAKEN BY THEM SINCE FIRST SESSION

IN MAY, EXPORTERS PREDICTABLY REJECTED PROPOSAL, AND NEXT DAY TABLED COUNTER DRAFT WHICH WAS ALSO RESTATEMENT THEIR ORIGINAL VIEWS ON ALL ISSUES. WHEN THIS REJECTED BY IMPORTERS, STALEMATE WAS REACHED. WITH ONLY CANADA AND JAPAN RESISTING, CONFERENCE CALLED ON CHAIRMAN JONES-PARRY TO PRESENT HIS OWN COMPROMISE PROPOSALS ON PRICES AND RELATED ISSUES. JONES-PARRY RESPONDED OCTOBER 8 WITH PACKAGE WHICH, ALTHOUGH VAGUE IN PART, APPEARS TO HOLD SOME PROMISE OF BEING ACCEPTABLE TO ALL BUT A FEW PARTICIPANTS IF DETAILS CAN BE WORKED OUT. CONFERENCE HAS BEEN PROVISIONALLY EXTENDED THROUGH OCTOBER 12, UNLESS STALEMATE REOCCURS. END SUMMARY.

1. WITH WORKING GROUPS BOGGED DOWN FOR LACK OF DECISIONS ON BASIC "POLICY" ISSUES, CONFERENCE AT BEGINNING OF FOURTH WEEK AWAITED SO-CALLED PACKAGE PROPOSAL BY CANADA AND JAPAN. ALSO SPONSORED BY MALAYSIA, NEW ZEALAND, AND SOUTH KOREA, PACKAGE WAS PRESENTED TO MAJOR EXPORTERS OCTOBER 1. SINCE IT WAS SIMPLY RESTATEMENT OF INITIAL POSITIONS (MOSTLY CANADIAN), IT WAS IMMEDIATELY REJECTED BY EXPORTERS EVEN AS BASIS FOR NEGOTIATION. EXPORTERS THEN FELT NEED RESPOND WITH RESTATEMENT THEIR JOINT POSITION ON ALL ISSUES, INCLUDING. WHILE CANADIANS ET AL HAD PROPOSED PRICE RANGE OF 3.75-5.75 U. S. CENTS PER POUND WITH SUPPLY COMMITMENT PRICE AT CURRENT LEVE OF 7.60 CENTS, EXPORTERS RESPONDED WITH RANGE OF 6.00-9.00 CENTS, WITH PURCHASE AND SUPPLY COMMITMENT PRICES AT 5.00 AND 11.00 CENTS RESPECTIVELY. INTENSIVE CONSULTATIONS AMONG MAJOR PARTICIPANTS DURING WEEK SHOWED NEITHER SIDE WILLING TAKE FIRST STEP TOWARD RECONCILIATION WIDELY DIVERGENT VIEWS ON PRICE AND OTHER ISSUES.

2. CLARK CANADA), CHAIRMAN OF IMPORTERS GROUP, HAS BECOME PARIAH OF CONGERENCE. HE IS ACKNOWLEDGED AUTHOR OF PACKAGE PRESENTED BY SOME IMPORTERS, WHICH EXPORTERS FOUND OFFENSIVE AS WELL AS UNACCEPTABLE. HE ALSO REFUSED DISCUSS CONTENTS OR PROVIDE COPIES OF PACKAGE IN IMPORTERS' CAUCUS. IMPORTERS NOT ASSOCIATED WITH IT, INCLUDING U.S., FELT CONSTRAINED FORMALLY DISSOCIATE THEMSELVES FROM IT, AND USDEL ALSO MADE PUBLIC OUR DISPLEASURE AT HIS INTRANSIGENCE AND HIGHHANDED TACTICS. CLARK SEEMS TO CONFUSE HIS ROLE AS CHAIRMAN IMPORTERS CAUCUS AND THAT OF CANADIAN DELEGATE, CONVEYING UNFOUNDED IMPLICATION LIMITED OFFICIAL USE

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THAT HIS EXTREME POSITIONS (I.E. CANADIAN) ARE SHARED BY MAJORITY OR WHOLE OF IMPORTER GROUP.

3. AT SOMEWHAT HEATED MEETING OF ECONCOM OCTOBER 5, ITS CHAIRMAN (LAJOUS, MEXICO) PROPOSED THAT COMMITTEE GIVE CONFERENCE CHAIRMAN JONES-PARRY MANDATE TO BRING FORWARD PROPOSALS ON PRICE ISSUE. IN COURSE OF MEETING, IT BECAME CLEAR VAST MAJORITY OF DELS PREFERRED THAT CHAIRMAN PROPOSE SOLUTIONS FOR ALL OUTSTANDING

MAJOR ISSUES. CANADA AND JAPAN OBJECTED TO EITHER COURSE, AND STATED THEY PREFERRED CONTINUATION OF PRIVATE DISCUSSIONS AMONG "ELEPHANTS" OF CONFERENCE (AUSTRALIA, BRAZIL, CUBA, CANADA, JAPAN, USSR). WITH SMALLER EXPORTERS AND MOST IMPORTERS FEELING LEFT OUT, AND WITH BACKGROUND OF NO PROGRESS IN EARLIER SUCH DISCUSSIONS, IT WAS OVERWHELMINGLY DECIDED GIVE CHAIRMAN BLANK CHECK TO PROPOSE SOLUTIONS ON ANY AND ALL ISSUES. USDEL SPOKE IN SUPPORT THIS COURSE OF ACTION.

4. AT ECONCOM MEETING OCTOBER 8, JONES-PARRY PRESENTED HIS PACKAGE. ESSENTIAL ELEMENTS IS PRICE PROPOSAL. CHAIRMAN PROPOSED RATE OF 5.40-7.90 CENTS PER POUND, AND SUPPLY COMMITMENT PRICE OF 8.90 CENTS. (PERHAPS SIGNIFICANTLY, HE DID NOT SUGGEST PURCHASE COMMITMENT PRICE, BUT SAID HE WOULD DO SO IF CONFERENCE DECIDES TO INCLUDE CONCEPT.) OTHER ELEMENTS INCLUDE (A) RECOGNITION THAT AUTOMATIC ADJUSTMENT OF PRICES BECAUSE OF CURRENCY REALIGNMENTS AND/OR INFLATION IS NOT FEASIBLE AND DECISION SHOULD BE LEFT TO COUNCIL; (B) AS IN 1968 ISA RELIANCE ON RELATIVELY LARGE DEGREE OF COUNCIL DISCRETION IN OPERATION OF QUOTA MECHANISM AND REALLOCATION

OF SHORTFALLS; (C) RETENTION OF PROVISIONS ON MINIMUM AND MAXIMUM STOCKS AS IN 1968 ISA; AND (D) ONLY MINOR TECHNICAL CHANGES IN CHAPTER 10 (SPECIAL ARRANGEMENTS). CHAIRMAN DID NOT EXPLICITLY TACKLE PURCHASE COMMITMENT OR WHETHER IMPORTERS CAN EXERCISE OPTION OF 100 PERCENT OF SUPPLY COMMITMENT, THUS BY IMPLICATION INVITING TRADEOFF ON THESE RELATED ISSUES.

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INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 IO-15 ISO-00 OMB-01

TAR-02 SPC-03 AGR-20 AID-20 CIAE-00 COME-00 INR-10

LAB-06 NSAE-00 OIC-04 RSC-01 SIL-01 STR-08 TRSE-00

CIEP-02 CEA-02 L-03 NSC-10 DRC-01 (ISO) W

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P R 091030Z OCT 73

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 1983

INFO AMEMBASSY BANGKOK
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY CANBERRA
AMEMBASSY LONDON
AMEMBASSY MANILA
AMEMBASSY MOSCOW
AMEMBASSY OTTAWA
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5. REACTION TO THESE PROPOSALS WAS, OF COURSE, MIXED. IN GENERAL, EXPORTERS FOUND PRICES TOO LOW, BUT WERE WILLING TO ACCEPT CHAIRMAN'S PACKAGE AS BASIS FOR NEGOTIATION. EXCEPTIONS TO THIS WERE MOSTLY THOSE EXPORTERS WHO ARE DISSATISFIED WITH PROPOSED QUOTA ALLOCATIONS E.G. ARGENTINA, BRAZIL, PHILIPPINES; (LATTER MADE INTEMPERATE STATEMENT SAYING PRICES TOO LOW AND THEY BEING SUBJECTED TO "BLACKMAIL BY DELAY" IN DECISION ON THESE QUOTA APPEAL.) CUBA MADE MEASURED STATEMENT REJECTING PRICES AS TOO LOW AND LIMITED OFFICIAL USE

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REAFFIRMING ESSENTIALITY OF PURCHASE COMMITMENT, BUT IN TERMS WHICH LEFT IMPRESSION THAT POSITION NOT SET IN CONCRETE. AMONG IMPORTERS, ONLY SWEDEN, SWITZERLAND AND U.S. INDICATED ABILITY TO ACCEPT PROPOSED PRICE LEVELS. JAPAN AND CANADA SAID IN SUBDUED TONES THAT WHOLE PACKAGE UPSETS BALANCE OF RIGHTS AND OBLIGATIONS IN 1968 ISA, AND IN PARTICULAR, PRICE LEVELS ARE UNACCEPTABLY HIGH. AT CLOSE ECONCOM MEETING (AFTER SOME FIVE HOURS OF STATEMENTS), JAPANESE AND CANADIANS INTRODUCED REVISION OF THEIR ORIGINAL PACKAGE. PRICES IN REVISION ARE A RANGE OF 4.50-7.00 CENTS AND SCP OF 8.25 CENTS. ONLY MINOR ELEMENTS OF OTHER PROPOSALS SOFTENED. (ALTHOUGH THIS PROPOSAL TO BE DISCUSSED OCTOBER 9, USDEL BELIEVES IT HAS NO CHANCE FORMING BASIS FOR FRUITFUL NEGOTIATION IN FEW REMAINING DAYS. IF IT REPRESENTS FINAL POSITION THESE IMPORTERS, CONFERENCE ALMOST SURELY DOOMED TO FAILURE.) OTHER IMPORTERS TOOK MORE MODERATE TONE, WITH MALAYSIA, ON BEHALF DEVELOPING IMPORTERS, ASKING FOR CONSIDERATION THEIR PLIGHT AND SPECIFICALLY LOWER SCP FOR SUCH COUNTRIES.

6. USDEL IN SHORT STATEMENT SAID PRICES, SINCE THEY APPEAR APPROPRIATE TO COST STRUCTURE OF REASONABLY EFFICIENT PRODUCERS, IS ACCEPTABLE TO US. WE SUPPORTED SOME DISCRETION FOR COUNCIL TO CHANGE

PRICE TRIGGERS, BUT SUGGESTED ANY SUCH IMPORTANT DECISION SHOULD BE BY SPECIAL VOTE. ON QUOTE MECHANISM, WE SAID COMPLETE AUTOMATICITY APPEARED UNWORKABLE, MUCH AS WOULD BY ANY AUTOMATIC ADJUSTMENT OF PRICES. USDEL SUPPORTED CHAIRMAN'S VIEWS ON MINIMUM AND MAXIMUM STOCKS AND SPECIAL ARRANGEMENTS, AND REITERATED VIEW THAT PURCHASE COMMITMENT UNWORKABLE AND UNWARRANTED.

7. IN ADMINCOM MOST OF WEEK'S WORK FOCUSED IN DRAFTING GROUP WHICH POLISHED LANGUAGE OF ARTICLES PROVISIONALLY ADOPTED EARLIER AND PROPOSED CERTAIN SUBSTANTIVE CHANGES BACK TO COMMITTEE FOR APPROVAL. COMMITTEE APPROVED FOR FORWARDING TO EXECUTIVE COMMITTEE MOST ARTICLES FOR WHICH IT RESPONSIBLE. UK DEL PRESENTED PROPOSAL ON ARTICLES 4 AND 66 PREPARED BY IT, AUSTRALIA, GHANA AND TRINIDAD AND TOBAGO CONCERNING POSSIBLE APPLICATION OF AGREEMENT TO DEPENDENT TERRITORIES (REFTEL). UGANDA, WHICH QUERIED WHY CONFERENCE COULD NOT SUMMON BELIZE REPS TO SPEAK FOR ITSELF, SUBMITTED AMENDMENTS WHICH ARE LARGELY IMPRACTICAL. ARGENTINA, THINKING OF FALKLAND ISLANDS ALSO, RESERVED ITS POSITION ON PROPOSAL, AS DID GUATEMALA, BECAUSE OF ITS "CLAIM" TO BELIZE. USSR DEL CONTINUED EMPHASIZE VIEW THAT ARTICLE ON DEPENDENT TERRITORIES LIMITED OFFICIAL USE

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SHOULD BE DELETED. USDEL DID NOT OBJECT TO SUBSTANCE OF PROPOSAL BUT, NOTING THAT ATTEMPT WAS BEING MADE TO COVER VERY EXCEPTIONAL SITUATION, RAISED QUESTION AS TO WHETHER ARTICLES PRESENTED BY SPONSORS WERE ADEQUATELY DRAFTED TO AVOID POSSIBLE FUTURE PROBLEMS. AS RESULT OF DEBATE, SPONSORS PLUS U.S. AND UGANDA WERE ASKED TO MEET OCTOBER 6 TO RE-WORK PROPOSAL. (UGANDA REP DID NOT APPEAR AT DRAFTING SESSION, WHICH PRODUCED, IN OUR VIEW, MUCH IMPROVED ARTICLES.) IN FACT CONTINUED CUBAN OPPOSITION TO U.S. AMENDMENTS ON ARTICLE 67, 70, AND 71, CHAIRMAN OF COMMITTEE FORWARDED BOTH AMENDMENTS AND TEXTS THOSE ARTICLES IN PRESENT ISA TO EXECUTIVE COMMITTEE FOR DECISION. COMMITTEE WILL HAVE TO DEAL WITH ANNEX B AND VOTING FORMULA (ARTICLE 9) FOLLOWING DECISIONS IN ECONOMIC COMMITTEE.

8. IT APPEARS THAT IF CONFERENCE IS TO BE SUCCESSFUL, IMPORTANT PARTICIPANTS MUST ACCEPT JONES-PARRY'S PROPOSALS ESSENTIALLY AS PRESENTED. ALL OTHER IMPORTANT PROVISIONS WOULD REMAIN ESSENTIALLY AS IN 1968 ISA. IT REMAINS TO BE SEEN WHETHER CONFERENCE EXTREMISTS (E.G. CANADA) WILL BACK DOWN. IF SO, PROSPECTS FOR NEW AGREEMENT ARE REASONABLE. IF NOT, MOST PARTICIPANTS WILL PROBABLY BE BACK IN GENEVA IN 1974. BASSIN

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